UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
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MULTIPLE CROP INSURANCE, 1949

Summary of Major Program Provisions

A multiple crop insurance program in which a number of crops are covered under one contract and one loss adjustment was developed and tried in two counties in 1948. This program is being expanded to include a total of seven counties in 1949.

In the multiple crop program a farmer insures all of his insurable crops under one contract and the protection offered is against loss from all insured crops combined. This plan thus gives the diversified farmer protection against the loss of the major part of his total investment in most of his crops rather than against a smaller part of his total investment which may be represented by some one or two crops on which insurance has heretofore been provided. Availability of multiple crop insurance places the farmer, who is in a diversified farming area where the farm income is split up among several crops, on a comparable basis from the standpoint of crop insurance protection with the farmer in a one-crop area who, by taking insurance on that crop, can now insure a major part of his total crop investment. The major provisions of the proposed program are outlined below:

1. <u>Crops to be insured</u>

The crops to be insured in each county are as follows:

<u>Dakota County, Minnesota</u> - barley, corn, flax, oats, soybeans, spring wheat, mixtures of flax and spring wheat seeded together, and mixtures of spring wheat and oats seeded together.

<u>Goodhue County, Minnesota</u> - barley, corn, flax, oats, soybeans, spring wheat, mixtures of flax and spring wheat seeded together and mixtures of spring wheat and oats seeded together.

<u>Stevens County, Minnesota</u> - barley, corn, flax, oats and spring wheat.

<u>Hutchinson County, South Dakota</u> - barley, corn, oats and spring wheat.

<u>Fond du Lac County, Wisconsin</u> - barley, corn, oats, spring wheat and flax.

<u>Gratiot County, Michigan</u> - barley, corn, pea and medium white beans, oats and soybeans.

<u>Perquimans County, North Carolina</u> - corn, cotton, peanuts and soybeans.

If, in counties where spring wheat is being insured, an applicant already has his wheat insured for the 1949 crop year he may, provided he has no winter wheat seeded, elect to cancel his wheat insurance and include the spring wheat in his multiple crop insurance contract. If the applicant has winter wheat seeded or elects to continue his wheat insurance he would insure the rest of his insurable crops under the multiple crop contract. The reason for not insuring winter wheat is that it is planted six months or more before

the other crops covered by the contract - too soon to sell insurance in volume on the majority of the crops covered.

2. Plan of insurance

A coverage per acre stated in dollars will be established for each insurable crop. The total coverage for any insurance unit will be the sum of the coverages for all insured crops planted thereon. In determining the amount of indemnity, if any, due the insured the value of the total production of all insured crops on the insurance unit will be compared with the total coverage for that unit. The prices to be used in valuing production are set forth in the insurance policy (See item 7).

3. Level of insurance

The coverage will be established at a level which will protect the farmer against the loss of the major part of his total investment in his crops. The Federal Crop Insurance Act limits the coverage in a general way to the investment in the crop. Only one level of insurance will be offered.

4. Establishing coverages and rates

The coverage for an insurable crop will probably be the same for all farms in the county for which insurance will be accepted. However, if warranted, because of varying production risks, separate areas for premium rate purposes may be established in the county, in which case all farms situated within the same area will have the same coverage and premium rate. Coverages and rates will not be established for extremely low yielding farms or for farms for which the risk appears to be excessive.

5. Progressive coverage

Progressive coverage will be applicable individually to each insured crop. For all crops except dry beans and peanuts the progression will be arranged in stages depending on the development of the crop as follows:

First stage - Acreage released by the Corporation and planted to a substitute crop.

Second stage - Acreage released by the Corporation and not harvested (or not to be harvested in the case of corn) and not planted to a substitute crop.

Third stage - Acreage harvested (or to be harvested in the case of corn).

The dry bean and peanut stages are arranged somewhat differently from the other commodities and are as follows:

First stage - Acreage not pulled or cut in the case of dry beans and not dug in the case of peanuts.

Second stage - Acreage pulled or cut in the case of dry beans, or dug in the case of peanuts, but not threshed.

Third stage - Acreage threshed.

The coverage is progressive by stages for each insurable crop so that the amount of coverage will generally parallel the investment in the crop. For all crops except cotton, dry beans and peanuts the coverage in the first stage will be approximately 50 percent of the maximum coverage and in the second stage approximately 90 percent of the maximum coverage. For cotton the coverage in the first stage will be approximately 40 percent and the second stage approximately 75 percent of the maximum coverage, while the dry bean and peanut coverages in the first two stages will be approximately 65 percent and 85 percent respectively of the maximum.

6. Coverage for substitute crop

If acreage of an insured crop is released and an insurable substitute crop is to be planted on the released acreage, the grower may increase his insurance by filing a supplemental acreage report showing the acreage of such substitute crop if the following conditions are met:

a. The acreage must be whole fields or parts thereof with definite boundaries.

b. It must be early enough in the season reasonably to expect a normal production of the substitute crop, and

c. A supplemental acreage report covering the substitute crop must be submitted to the adjuster at the time the first crop is released.

The coverage for any substitute insured crop will be determined without regard to the coverage for the crop which was released. That is, the coverage will be determined for the released crop and the substitute crop even though both crops are planted on the same acreage. Likewise, a premium will be due on the released crop and on the substitute insured crop.

7. Valuing production

Where the insured crops are harvested, the actual production of all insured crops is valued at predetermined prices and the total value compared with the total coverage to determine whether a loss has occurred. Since all production is valued at predetermined prices, loss on quality is not completely covered. In the first and second stages the production has to be appraised. However all of this appraisal is not counted and quite frequently it is zero because of the allowance established for each crop. Only that portion of the appraisal in excess of the allowance is counted as production. The allowance for each stage is determined by subtracting the coverage for that stage from the coverage in the third stage and dividing the result by the predetermined price per bushel or pound. For example if the coverage on a crop in the third stage were $21.00 per acre, the coverage in the first stage $10.50 and the predetermined price for that crop $1.50 per bushel, the allowance in the first stage on that crop would be 7 bushels per acre ($21.00 - $10.50) ÷ $1.50.

In determining production on acreage where flax and spring wheat are seeded together in a mixture, the production of each commodity will be determined and valued separately. Where spring wheat and oats are seeded together in a mixture, the production will be counted as oats on a weight basis and will also be valued based on the oats price.

A predetermined price per bushel or pound for the production of each commodity will be staged in the contract and on the county actuarial table. The prices to be used are as follows:

Barley	$1.10 per bu.	Oats	$0.70 per bu.
Corn	$1.35 per bu.	Peanuts	.10 per lb.
Cotton	.27 per lb.	Soybeans	$2.00 per bu.
Dry beans	.06 per lb. after picking	Wheat	$1.90 per bu.
Flax	$3.80 per bu.		

8. Premiums

The premium rates will be stated in dollars and the rate for each crop will be dependent on the amount of diversification on the insurance unit and the amount of coverage for each insured crop. These rates will be arranged so that generally the farmer with the greater diversification among the various crops will have the lower overall rate per acre.

An example of how diversification affects the premium on 70 acres of insured crops follows:

Premium Rate Schedule

	Crop A	Crop B	Crop C	Crop D
Crop with the largest coverage:				
Insured singly	$1.00	$1.25	$1.50	$1.75
Insured with 1 other crop	.90	1.15	1.35	1.60
" " " 2 " crops	.80	1.00	1.20	1.40
" " " 3 " "	.70	.90	1.05	1.25
Crop with the second largest coverage	.30	.40	.45	.55
" " " third " "	.20	.25	.30	.35
" " " fourth " "	.10	.15	.15	.20

Example

Crop	Acres		Rate Per Acre		Premium
A	25	x	.70	=	17.50
B	20	x	.40	=	8.00
C	15	x	.30	=	4.50
D	10	x	.20	=	2.00
			Total premium		$32.00

There will be a discount of 5% on any premium paid in full on or before the closing date. If the insured does not take advantage of the discount, his premium note will be due July 31, 1949, in all counties except Perquimans County, North Carolina, where the maturity date will be October 31, 1949. An interest charge of 3 percent will be made on all premium payments not made on or before December 31, 1949, and 3 percent interest will be added on the principal amount remaining unpaid at the end of each six-month period thereafter.

9. Insured acreage

An acreage report will be obtained at the time the application for insurance is submitted. On this report will be shown for each insurance unit the number of acres of each insured crop on which the applicant is applying for insurance

and his share in the crop to be planted on such acreage. If spring wheat is insured under an existing wheat contract which the grower proposes to cancel by including the spring wheat crop under the multiple crop contract, all the spring wheat acreage that the insured intends to plant must be shown on the multiple crop acreage report or the Corporation will refuse acceptance of the multiple crop application, thus continuing the wheat contract.

The acreage and interest in the crop as shown on the acreage report may be increased or decreased by the applicant on or before the closing date. After the closing date the figures (including those on any supplemental acreage report covering a substitute crop) may be changed to the actual plantings up to June 30 in cases where the premium computed for the total planted acreage of all insured crops on an insurance unit is not more than the premium computed for the total acreage shown on the acreage report for such unit as of March 31, plus any supplemental report covering a substitute crop. Changes which increase the premium will not be made after the closing date, except in cases where acreage is released and an insurable crop is to be planted thereon and the grower reports the substitute crop.

10. Losses

Any loss will first be computed on the basis of the total planted acreage of all insured crops (whether listed on the acreage report or not) on the insurance unit. The premium will then be recomputed (for loss purposes only) based on the planted acreage. If the recomputed premium does not exceed the premium computed for the acreage and interest shown on the acreage report (including any supplemental report) the full amount of loss on the acreage planted will be paid. However, if the recomputed premium is more than the premium based on the acreage report, any loss determined for the planted acreage will be apportioned on the basis of the ratio of the premium initially computed to the recomputed premium.

11. Insurance unit

An insurance unit is the area considered in determining a loss. An insurance unit will be (1) all insurable acreage in the county in which the insured has 100 percent interest at the time of planting, plus any insurable acreage owned by him and worked for him by sharecroppers at the time of planting, or (2) all insurable acreage in the county owned by one person and operated by the insured as a share tenant or (3) all insurable acreage in the county owned by the insured which is rented to one share tenant, or (4) all the insurable acreage in the county which is owned by one person and worked by the insured as a sharecropper at the time of planting. Land rented for cash or for a fixed commodity payment shall be considered to be owned by the lessee.

An applicant may combine what would otherwise be two or more insurance units into one combination insurance unit if he so specifies on his acreage report at the time of filing his application for insurance. The reason for this is to provide the insured with the option of securing a lower premium rate by combining two or more units into a combination unit.

12. Term of contract

The multiple crop insurance contract will be written on an annual basis in 1949.

13. Insurance period

The crops will be covered only while they are in the field. The insurance period will begin on any insured acreage when the crop is planted and will end upon harvesting the crop, but in no case will extend beyond December 10, 1949, unless such time is extended in writing by the Corporation.

14. Notice of damage

The insured must notify the Corporation at any time that any material damage occurs to any insured crop. If a loss occurs, notice thereof must be given the Corporation by the insured within 15 days after the last insured crop is harvested or December 31, 1949, whichever is earlier.

15. Closing date

The closing date for accepting applications will be March 31, 1949, in all counties.